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13 July 1976

Revised 6 August 1976

MEMORANDUM FOR THE RECORD

SUBJECT: Military-Economic Advisory Panel: Items
Discussed at the Meeting with DCI and DDCI,
8 July 1976

PRESENT: George Bush (DCI), E.H. Knoche (DDCI),
Paul Walsh (ADDI), [REDACTED] (NIO/E),
Noel Firth (AD/OSR), [REDACTED] (Member,
MEAP), and Herbert S. Levine (Chairman, MEAP)

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1. New Reporting Role of MEAP

- In the past the MEAP reported to the DDI, now it reports to the DCI. In order to address itself to issues which are of interest to the DCI (and the DDCI), the Panel would appreciate some guidance to help focus its efforts.
- Now that the Panel's scope has been enlarged, who should be the main contact person and support for the Panel? Should it remain OSR (Noel Firth) or perhaps the IC Staff? (It was agreed that maintaining the existing relationship made the most sense.)
- The Panel would like to meet individually with people from other agencies with a direct interest in military-economic analysis: Robert Ellsworth, William Hyland, Sam Wilson, Hal Saunders, Admiral Murphy and others.

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2. Organizational Issues

A. Internal to CIA

--The time has come to consider the reestablishment of an area focus within CIA--that is, a possible reestablishment of an Office whose mission is to study the Soviet Union. The Soviet Union is becoming more complex. There is a need to integrate the analytical resources (economic, political, scientific, military) focusing on the Soviet Union. There are many different possible approaches to this issue, ranging from formal reorganization to the setting up of specific task forces to work on specific issues. At a minimum, when related topics are presented to OSR and OER, joint task forces should be set up to work on the projects rather than the two offices just exchanging papers. The experience at the last MEAP meeting of OSR and OER interacting on the issue of ruble-dollar ratios was stimulating and rewarding but it was also disturbing that such interaction had not taken place previously.

--In addition, the Panel feels that perhaps the time has come for OSI and OWI to be put back under the DDI.

B. External

--CIA's virtual monopoly in the community on military-economics, indeed on Soviet economics as a whole, continues to be somewhat risky despite the high level of competence and objectivity evident in the Agency. DIA does monitoring and assisting and we understand is planning to broaden work in this field, but no other department or agency is in a position to properly evaluate and use

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CIA's analysis. Certainly it would be wasteful for others to fully duplicate the efforts of CIA. It might, however, be useful for the DCI to ask other IC members to invest a small level of effort in order to broaden the NFIB base on Soviet military-economics.

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3. SCAM II

--The Panel urges that sufficient resources be devoted to making SCAM II operational. We understand that time is of the essence and we urge that the present opportunities not be lost.

4. Resources

--The Panel strongly calls for an increase in the resources devoted to Soviet economics, Soviet military-economics and Soviet affairs in general both within CIA and outside of CIA.

5. Collection, Reporting and Analysis

--The Panel urges that increased collection efforts be devoted to Soviet economic targets, i.e. a higher priority for economic intelligence, including more attention given to and analysis of the inevitable economic by-products available from primary missions.

--The Panel also urges that the proportion of overall effort devoted to analysis (in distinction to collection and reporting) be increased. This is whence the increased resources called for above could primarily come. In other words, it is an allocation problem as much as, if not more than, an increased resources problem.

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--The principle CIA military-economic reports (the so-called "ruble" and "dollar" papers) receive much attention in both classified and unclassified form. To enhance the utility of those reports to the principle consumers, and to reduce the probability of misuse of the analyses, the Panel urges that each report be accompanied by an extensive appendix--written with the staffs of the principle consumers in mind--which explains more fully the theoretic bases of the analyses, outlines the issues which the data legitimately can bear upon and which they cannot, and lays out in more specific terms the policy implications of the analyses.

--Editions of the "ruble" and "dollar" papers, prior to the most recent, presented the data over decade time periods, and supplemented the aggregate data with resource- and mission-category breakouts. The Panel recommends that these practices be resumed in future editions.

6. RDT&E

--The Panel calls for the implementation of the recommendation contained in the Panel report prepared by [] for an increase in Agency resources allocated to and the undertaking of a major research effort on the study of Soviet RDT&E. There is a growing list of customers for such work including: Chairman Mahon of the House Appropriations Committee, the Defense Science Board, and PFIAB. Furthermore with the recreation of the Office of Science Advisory to the President, another customer will soon be calling. If the OSI and OWI were to be put back under the DDI, then an effort devoted to a study of Soviet R&D would be easier to muster. In the absence of such a reorganization, consideration might be given to the creation of an NIO for Soviet R&D. The Panel would like to review the steps taken on this subject at our next meeting.

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7. Coordination of Basic Research on the Soviet Union

--The Panel calls attention to the need for coordination of basic research on the Soviet Union between CIA and other government agencies, on the one hand, and the non-government (private) agencies, such as universities and contract research institutes, on the other hand.

8. Specific Research Projects

--The Panel calls for the undertaking, as rapidly as possible, of the following major studies:

- Alternative National Security Expenditure estimating techniques. It would be extremely useful, at this time, to undertake a thorough survey and analysis of the various NSE estimating techniques, and how current data resources (e.g. input-output data) might be applied to them. The Panel suggests that Fred Denton be asked to undertake this assignment.
- The Soviet price systems, especially the differences in the pricing of military and civilian goods. It is hoped that such a major study would shed some new light on the perennial ruble-dollar ratio issue. If CIA is to effectively fulfill its mission of providing information to US policymakers, then this information must be in a dimension understood by US policymakers. In military-economic matters this dimension of necessity is that of dollars (though the Panel has urged and continues to urge the ruble costing of US military expenditures). It might be useful to commission an outside think piece by someone connected with the Kravis International Price Comparison Study (perhaps Professor Robert Summers) on the general issue

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of dollar evaluations and price comparisons in the military economic area. This might provide helpful new insights. Also increased use of recent emigres could prove to be helpful in the study of the Soviet price system.

- Soviet military economic decision-making. The Panel calls for an in-depth, integrated (Economic, Political, Military) study of the Soviet decision-making mechanism in regard to military-economic matters.
- Civil defense, broadly conceived. A prominent area omitted from the current military-economic analyses is that of civil defense. The Panel urges that this area be pursued under a conception broad enough to include all programs designed to enhance post-attack national survival; for example, the dispersion and hardening of facilities, stockpile storage complexes, and the configuration of lines of communication.
- Inventory estimation. The Panel again wishes to restate its conviction that the estimation of weapons inventories is crucial to a proper assessment of the relative military capabilities of the Soviet Union and the United States. The Panel recognizes the fundamental difficulties and intractabilities inherent in the problem, but the issue is vital and the Panel recommends that higher priority be given to its pursuit. Furthermore, for comparison purposes, it is of course necessary that estimations of US military stocks be made. The Panel recommends that the appropriate office within the DoD initiate efforts to collect data on the value of US stocks of military equipment, to be used in a net assessment of US-Soviet weapons inventories.

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- Comparative investments in the ability to produce future military capability. A significant military-economic issue concerns the comparative extent to which the US and the Soviet Union have invested in the ability to produce future military capability, and the Panel recommends that the analysis of this issue be pursued. While the subject would include aspects of the civil defense programs, it would go beyond these to consideration of, for example, the industrial bases presently committed to military production or capable of being so committed over varying lengths of time; the national policies with regard to surge or emergency military production; the processes of embodying technological change into fielded systems; and the relations between military production capacity, war reserves, and stockpiles to existing and planned force structures.

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